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Reinventing Europe's Single Market: A Way Forward to Align Ideals and Action

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Brussels, 3 June 2024 - In the latest [Policy Brief](#), our authors advocate for a shift in focus from the abstract notion of the 'Single Market' to a concrete goal of "legal harmonisation in the EU." This strategic realignment also presents an opportunity to foster pragmatic policymaking by adopting a 28th regime to address national regulatory discrepancies. Such a move would not only enhance the Single Market's effectiveness in promoting economic growth and competitiveness but also pave the way for a more harmonious and prosperous Europe, with a positive signalling effect to the rest of the world.

The Letta Report, is a wake-up call that underlines the urgent need for decisive action to rejuvenate the EU's Single Market. It highlights the fundamental role of legal harmonisation in forming a truly economically integrated European market, building on Europe's early efforts to deregulate national markets.

Nevertheless, despite significant efforts, the challenge of 'integration fatigue' persists, driven by legal fragmentation across European economies. Historical reports, from the Cecchini Report in 1992 to the Europe 2020 Strategy, have consistently pointed to regulatory divergences and dwindling political support for market integration as persistent issues that have continued to limit progress.

A comprehensive analysis of those reports also indicates a shift in policy priorities over time, initially with a focus on liberalisation and market opening, with much less emphasis on state aid and industrial policymaking.

The recent Letta Report underscores the importance of regulatory convergence and harmonisation, reflecting a deeper understanding of the drivers of EU competitiveness. The rise of nationalism and a shift towards "Strategic Autonomy" within the EU have further impeded crucial market reforms, emphasising the need

for legal alignment across Member States to bolster EU economic resilience and global competitiveness.

“EU institutions and Member States must set clear goals for legal harmonisation,” says Matthias Bauer, author of the report. This shift would address real challenges businesses and citizens face. Prioritising legal harmonisation would substantially enhance internal cohesion and align national laws with Union-wide objectives. An actionable roadmap, potentially with a 2028 deadline, is crucial to bridge the substantial gap between ambitious EU strategies and Europe's economic realities.

Implementing sector-specific and horizontal policies within a new regulatory regime would significantly improve cross-border operations and competitiveness. The Letta Report advocates for a 28th EU legal regime to address national regulation discrepancies. Extending this regime to encompass tax and labour market policies would greatly enhance cross-border operations.

“Eliminating internal barriers through prioritising key horizontal policies affecting all businesses, such as fragmented tax laws, labour market policies, and social security systems, is essential for unlocking the Single Market's potential,” says Matthias Bauer. This would boost the EU's global competitiveness, facilitating the four freedoms.

Allowing coalitions of willing countries to advance in specific areas of legal integration offers a viable solution to the longstanding Single Market “fatigue.” This approach enables smaller groups of Member States to pursue integration in targeted areas, bypassing rigid voting requirements and achieving greater agility and acceptance in EU law-making. Establishing safeguards and oversight mechanisms is crucial to maintaining cohesion within the Union while allowing progressive legal integration among willing Member States.

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